

STATE OF ILLINOIS  
SECRETARY OF STATE  
SECURITIES DEPARTMENT

IN THE MATTER OF: CHRISTOPHER J. BORGO )

FILE NO. 0400094

NOTICE OF HEARING

**TO THE RESPONDENT:**

Christopher J. Borgo  
(CRD #: 2377439)  
401 N.E. Mizner Boulevard  
#814  
Boca Raton, Florida 33432

c/o Salomon Grey Financial Corporation  
430 LBJ Freeway  
Suite 1626  
Dallas, Texas 75240

You are hereby notified that pursuant to Section 11.F of the Illinois Securities Law of 1953 [815 ILCS 5] (the "Act") and 14 Ill. Adm. Code 130, Subpart K, a public hearing will be held at 17 North State Street, Suite 1266, Chicago, Illinois 60602, on the 19<sup>th</sup> day of May, 2004 at the hour of 10:00 a.m. or as soon as possible thereafter, before Soula J. Spyropoulos Esq. or such other duly designated Hearing Officer of the Secretary of State.

Said hearing will be held to determine whether an Order shall be entered revoking Christopher J. Borgo's (the "Respondent") registration as a salesperson in the State of Illinois and/or granting such other relief as may be authorized under the Act including but not limited to the imposition of a monetary fine in the maximum amount pursuant to Section 11.E(4) of the Act, payable within ten (10) business days of the entry of the Order.

The grounds for such proposed action are as follows:

1. That at all relevant times, the Respondent was registered with the Secretary of State as a salesperson in the State of Illinois pursuant to Section 8 of the Act.

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2. That on December 31, 2003, NASD entered Order Accepting Offer of Settlement submitted by the Respondent (Order) regarding DISCIPLINARY PROCEEDINGS NO. C3A030048 which sanctioned the Respondent as follows:
  - a. suspended for six (6) months in all capacities;
  - b. fined \$22,500; and
  - c. disgorgement of commissions in the amount of \$29,725 in partial restitution.
  
3. That the Order found:
  - a. On or about May 17, 1999, Trautman's President and CEO ("hereinafter referred to as GT") informed the Respondent and other Trautman brokers that Trautman had acquired a block of 1,000,000 shares of SAC Technologies, Inc. ("SAC") at \$1.50, approximately \$1.25 below the inside bid. GT advised the Respondent and the other brokers that Trautman was offering SAC to the brokers at a "Strike Price" of \$1.50, and they could sell it to their customers up from \$1.50. By May 17, 1999, SAC had made filings with the United States Securities and Exchange Commission, which publicly disclosed materially adverse information concerning its prospects. For example, on April 30, 1999, SAC filed a Form 10-KSB for the fiscal year ended December 31, 1998, that disclosed, among other things, the following:
    - SAC had an accumulated loss of \$9,496,871 and negative working capital of over \$1,000,000;
    - SAC was dependent on one customer for 64% of its revenues;
    - SAC reported that it did not expect its current working capital to support the Company beyond the short-term, and admitted that it was in need of immediate and substantial capital to continue business operations;
    - SAC's independent auditors issued a "going concern" opinion, expressing doubt that the company could continue;
    - SAC had been advised by NASDAQ that the Company was not in compliance with the minimum maintenance

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standards in order to maintain its listing on NASDAQ. A delisting hearing had been held on April 15, 1999, and SAC presented a plan to come into compliance;

- As a consequence of the pending delisting, SAC would be in default to a major lender, resulting in the acceleration of SAC's obligation to repay the entire \$2,500,000, plus accrued interest, to the lender. SAC did not have the cash to repay the lender.
- b. During May 1999, customers JM, JC, WS, IL, MC, VG, IK, VM, WP, WW, DS, and TS (hereinafter the "customers"), had accounts at Trautman and the Respondent was their assigned account representative.
- c. From on or about May 17, 1999, the Respondent recommended to the customers that they purchase the common stock of SAC. Based on the Respondent's recommendation, the customers agreed to invest in SAC. The specifics for each customer are as follows:
- (i) On May 17, 1999, customer JM purchased 5,000 shares of SAC at \$2.25 a share for a total cost of \$11,275. This trade generated a gross sales credit of approximately \$3,735, which accounted for approximately 33% of JM's investment. The Respondent retained approximately \$2,988 of the gross sales credit, which accounted for approximately 26% of JM's investment.
  - (ii) On May 17, 1999, customer JC purchased 5,000 shares of SAC at \$2.125 a share for a total cost of \$10,650. This trade generated a gross sales credit of approximately \$3,110, which accounted for approximately 29% of JC's investment. The Respondent retained approximately \$2,488 of the gross sales credit, which accounted for approximately 23% of JC's investment.
  - (iii) On May 17, 1999, customer WS purchased 7,000 shares of SAC at \$1.75 a share for a total cost of \$12,275. This trade generated a gross sales credit of approximately \$1,750, which accounted for approximately 14% of WS's investment. The Respondent retained approximately \$1,400 of the gross sales credit, which accounted for approximately 11% of WS's investment.

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- (iv) On May 17, 1999, customer IL purchased 25,000 shares of SAC at \$2.125 a share for a total cost of \$53,150. This trade was cancelled on May 18, 1999, at no loss to IL.
- (v) On May 18, 1999, customer MC purchased 2,500 shares of SAC at \$2.15 a share for a total cost of \$5,338.
- (vi) On May 18, 1999, customer VG purchased 2,500 shares of SAC at \$2 a share for a total cost of \$5,025. This trade generated a gross sales credit of approximately \$1,250, which accounted for approximately 25% of VG's investment. The Respondent retained approximately \$1,000 of the gross sales credit, which accounted for approximately 20% of VG's investment.
- (vii) On May 18, 1999, customer IK purchased 5,000 shares of SAC at \$2 a share for a total cost of \$10,025. This trade generated a gross sales credit of approximately 2,500, which accounted for approximately 25% of IK's investment. The Respondent retained approximately \$2,000 of the gross sales credit, which accounted for approximately 20% of IK's investment.
- (viii) On May 18, 1999, customer VM purchased 4,000 shares of SAC at \$2 a share for a total cost of \$8,025. This trade generated a gross sales credit of approximately \$2,000, which accounted for approximately 25% of VM's investment. The Respondent retained approximately \$1,600 of the gross sales credit, which accounted for approximately 20% of VM's investment.
- (ix) On May 18, 1999, customer WP purchased 5,000 shares of SAC at \$2 a share for a total cost of \$10,025. This trade generated a gross sales credit of approximately \$2,500, which accounted for approximately 25% of WP's investment. The Respondent retained approximately \$2,000 of the gross sales credit, which accounted for approximately 20% of WP's investment.
- (x) On May 18, 1999, customer WW purchased 2,500 shares of SAC at \$2 a share for a total cost of \$5,000. This trade generated a gross sales credit of approximately \$1,000 of the gross sales credit, which accounted for approximately 20% of WW's investment.

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- (xi) On May 18, 1999, customer WW purchased 10,000 shares of SAC at \$2 a share for a total cost of \$20,025. This trade generated a gross sales credit of approximately \$5,000, which accounted for approximately 25% of WW's investment. The Respondent retained approximately \$4,000 of the gross sales credit, which accounted for approximately 20% of WW's investment.
- (xii) On May 19, 1999, customer WP purchased 17,000 shares of SAC at \$1.969 a share for a total cost of \$33,493. This trade generated a gross sales credit of approximately \$7,968, which accounted for approximately 24% of WP's investment. The Respondent retained approximately \$6,374 of the gross sales credit, which accounted for approximately 19% of WP's investment.
- (xiii) On May 20, 1999, customer DS purchased 1,000 shares of SAC at \$1.875 a share for a total cost of \$1,900.
- (xiv) On May 21, 1999, customer TS purchased 2,000 shares of SAC at \$1.875 a share for a total cost of \$3,775.
- (xv) On May 24, 1999, customer MC purchased 7,500 shares of SAC at \$1.813 a share for a total cost of \$13,619. This trade generated a gross sales credit of approximately \$2,344, which accounted for approximately 17% of MC's investment. The Respondent retained approximately \$1,875 of the gross sales credit, which accounted for approximately 14% of MC's investment.
- (xvi) On May 24, 1999, customer WS purchased 500 shares of SAC at \$1.688 a share for a total cost of \$869.
- (xvii) On May 24, 1999, customer TS purchased 3,000 shares of SAC at \$1.813 a share for a total cost of \$5,463. This trade generated a gross sales credit of approximately \$938, which accounted for approximately 17% of TS's investment. The Respondent retained approximately \$750 of the gross sales credit, which accounted for approximately 14% of TS's investment.
- (xviii) On May 24, 1999, customer WW purchased 10,000 shares of SAC at \$1.875 a share for a total cost of \$18,775. This trade generated a gross sales credit of approximately \$2,812, which accounted for approximately 15% of WW's investment. The Respondent retained approximately

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\$2,250 of the gross sales credit, which accounted for approximately 12% of WW's investment.

- d. The Respondent conducted no independent investigation into the merits of SAC prior to recommending the stock to his customers. Thus, he was unaware of the materially adverse information concerning SAC. Accordingly, he either intentionally or recklessly, failed to disclose materially adverse information to the customers, in connection with his recommendation that they purchase SAC.
  - e. The Respondent's gross compensation for selling ASC to the customers at all times was equal to or exceeded 11% of their investment. His net compensation at all times was equal to or exceeded 8.5% of the customers' investment. The Respondent, either intentionally or recklessly, failed to disclose to the customers his financial incentive for recommending SAC.
  - f. On May 25, 1999, SAC was delisted from the NASDAQ Stock market.
  - g. Based on the foregoing, the Respondent acted in contravention of Section 10(b) of the Securities Exchange Act of 1934 and Rule 10b-5, promulgated thereunder, and NASD Conduct Rules 2120 and 2110.
4. That Section 8.E(1)(j) of the Act provides, inter alia, that the registration of a salesperson may be revoked if the Secretary of State finds that such salesperson has been suspended by any self-regulatory organization registered under the Federal 1934 Act or the Federal 1974 Act arising from any fraudulent or deceptive act or a practice in violation of any rule, regulation or standard duly promulgated by the self-regulatory organization.
  5. That NASD is a self-regulatory organization as specified in Section 8.E(1)(j) of the Act.
  6. That by virtue of the foregoing, the Respondent's registration as a salesperson in the State of Illinois is subject to revocation pursuant to Section 8.E(1)(j) of the Act.

You are further notified that you are required pursuant to Section 130.1104 of the Rules and Regulations (14 ILL. Adm. Code 130) (the "Rules"), to file an answer to the allegations outlined above within thirty (30) days of the receipt of this Notice. A failure to file an answer within the prescribed time shall be construed as an admission of the allegations contained in the Notice of Hearing.

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Furthermore, you may be represented by legal counsel; may present evidence; may cross-examine witnesses and otherwise participate. A failure to so appear shall constitute default, unless any Respondent has upon due notice moved for and obtained a continuance.

A copy of the Rules, promulgated under the Act and pertaining to hearings held by the Office of the Secretary of State, Securities Department, is included with this Notice.

Delivery of Notice to the designated representative of any Respondent constitutes service upon such Respondent.

Dated: This 31<sup>st</sup> day of March 2004.



JESSE WHITE  
Secretary of State  
State of Illinois

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